



February 25, 2003

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## SENATE BILL No. 178

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DIGEST OF SB 178 (Updated February 20, 2003 11:33 AM - DI 105)

**Citations Affected:** IC 27-2; IC 27-4.

**Synopsis:** Insurer use of credit information. Imposes certain requirements and restrictions concerning the use of credit information in the underwriting of property and casualty insurance. Excludes commercial lines of insurance from the requirements and restrictions. Makes a violation of the requirements and restrictions an unfair and deceptive act and practice in the business of insurance.

**Effective:** July 1, 2003.

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**Paul, Antich**

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January 7, 2003, read first time and referred to Committee on Insurance and Financial Institutions.  
February 24, 2003, amended, reported favorably — Do Pass.

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SB 178—LS 6749/DI 97+



February 25, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

## SENATE BILL No. 178

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 27-2-21 IS ADDED TO THE INDIANA CODE AS  
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2003]:

4 **Chapter 21. Use of Credit Information**

5 **Sec. 1. As used in this chapter, "adverse action" means:**

- 6 (1) a denial or cancellation of;  
7 (2) an increase in a charge for; or  
8 (3) a reduction or other adverse or unfavorable change in the  
9 terms of coverage or amount of;

10 **insurance in connection with the underwriting of a personal**  
11 **insurance policy.**

12 **Sec. 2. As used in this chapter, "affiliate" means a company that**  
13 **controls, is controlled by, or is under common control with another**  
14 **company.**

15 **Sec. 3. As used in this chapter, "applicant" means an individual**  
16 **who has applied with an insurer for coverage under a personal**  
17 **insurance policy.**

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1       Sec. 4. As used in this chapter, "commissioner" refers to the  
2 insurance commissioner appointed under IC 27-1-1-2.

3       Sec. 5. As used in this chapter, "consumer" means an:

4       (1) insured whose:

5       (A) credit information is used; or

6       (B) insurance score is calculated;

7       in the underwriting or rating of a personal insurance policy;  
8       or

9       (2) applicant for a personal insurance policy.

10       Sec. 6. As used in this chapter, "consumer reporting agency"  
11 means a person that, for a monetary fee or dues or on a  
12 cooperative nonprofit basis, regularly engages in the practice of  
13 assembling or evaluating consumer credit information or other  
14 information concerning consumers for the purpose of furnishing  
15 consumer reports to third parties.

16       Sec. 7. As used in this chapter, "credit information" means  
17 credit related information:

18       (1) derived from a credit report;

19       (2) found on a credit report; or

20       (3) provided on an application for a personal insurance policy.

21       The term does not include information that is not credit related,  
22 regardless of whether the information is contained in a credit  
23 report or in an application or is used to calculate an insurance  
24 score.

25       Sec. 8. As used in this chapter, "credit report" means a written,  
26 an oral, or another communication of information by a consumer  
27 reporting agency concerning a consumer's creditworthiness, credit  
28 standing, or credit capacity that is used or expected to be used or  
29 collected as a factor to determine personal insurance policy  
30 premiums, eligibility for coverage, or tier placement.

31       Sec. 9. As used in this chapter, "department" refers to the  
32 department of insurance created by IC 27-1-1-1.

33       Sec. 10. As used in this chapter, "insurance producer" has the  
34 meaning set forth in IC 27-1-15.6-2(7).

35       Sec. 11. As used in this chapter, "insurance score" means a  
36 number or rating that is derived from an algorithm, computer  
37 application, model, or other process that is based on credit  
38 information for the purpose of predicting the future insurance loss  
39 exposure of an individual consumer.

40       Sec. 12. As used in this chapter, "insured" means an individual  
41 entitled to coverage under a personal insurance policy.

42       Sec. 13. As used in this chapter, "insurer" refers to an insurer

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(as defined in IC 27-1-2-3) that issues a personal insurance policy.

Sec. 14. As used in this chapter, "personal insurance policy" means a policy that:

- (1) provides one (1) or more of the kinds of insurance described in Class 2 or Class 3 of IC 27-1-5-1; and
- (2) is underwritten on an individual basis for personal, family, or household use.

Sec. 15. This chapter does not apply to commercial insurance.

Sec. 16. An insurer that uses credit information to underwrite or rate risks shall not do the following:

- (1) Use an insurance score that is calculated using income, gender, address, ZIP code, ethnic group, religion, marital status, or nationality of the consumer as a factor.
- (2) Deny, cancel, or decline to renew a personal insurance policy solely on the basis of credit information.
- (3) Base an insured's renewal rate for a personal insurance policy solely on credit information.
- (4) Take an adverse action against a consumer solely because the consumer does not have a credit card account.
- (5) Consider an absence of credit information or an inability to calculate an insurance score in underwriting or rating a personal insurance policy, unless the insurer does one (1) of the following:
  - (A) Presents to the commissioner information that the absence or inability relates to the risk for the insurer and treats the consumer in a way approved by the commissioner.
  - (B) Treats the consumer as if the consumer had neutral credit information, as defined by the insurer.
- (6) Take an adverse action against a consumer based on credit information unless the insurer obtains and uses:
  - (A) a credit report issued; or
  - (B) an insurance score calculated;
    - not more than ninety (90) days before the date the personal insurance policy is first written or the renewal is issued.
- (7) Use credit information unless the insurer recalculates the insurance score or obtains an updated credit report at least every thirty-six (36) months. However, the following apply:
  - (A) At annual renewal, upon the request of an insured or the insured's agent, the insurer shall re-underwrite and re-rate the personal insurance policy based on a current credit report or insurance score unless one (1) of the

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following applies:

(i) The insurer's treatment of the consumer is otherwise approved by the commissioner.

(ii) The insured is in the most favorably priced tier of the insurer, within a group of affiliated insurers.

(iii) Credit information was not used for underwriting or rating the insured when the personal insurance policy was initially written.

(iv) The insurer reevaluates the insured at least every thirty-six (36) months after a personal insurance policy is issued based on underwriting or rating factors other than credit information.

This clause does not require an insurer to recalculate an insurance score or obtain an updated credit report of a consumer more frequently than one (1) time in a twelve (12) month period.

(B) An insurer may obtain current credit information upon the renewal of a personal insurance policy when renewal occurs more frequently than every thirty-six (36) months if consistent with the insurer's underwriting guidelines.

(8) Use the following as a negative factor in an insurance scoring methodology or in reviewing credit information for the purpose of underwriting or rating a personal insurance policy:

(A) A credit inquiry coded by the consumer reporting agency:

(i) not initiated by the consumer; or

(ii) requested by the consumer for the consumer's own credit information.

(B) A credit inquiry coded by the consumer reporting agency relating to insurance coverage on the consumer's credit report.

(C) A collection account with a medical industry code that is coded by the consumer reporting agency on the consumer's credit report.

(D) Multiple lender inquiries:

(i) coded by the consumer reporting agency on the consumer's credit report as being from the home mortgage industry; and

(ii) made within thirty (30) days of one another.

(E) Multiple lender inquiries:

(i) coded by the consumer reporting agency on the

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consumer's credit report as being from the automobile  
lending industry; and  
(ii) made within thirty (30) days of one another.

**Sec. 17. (a) If:**

(1) a determination is made through the dispute resolution  
process set forth in the federal Fair Credit Reporting Act, 15  
U.S.C. 1681i(a)(5), that the credit information of a current  
insured was incorrect or incomplete; and

(2) the insurer receives notice of the determination from the  
consumer reporting agency or the insured;  
the insurer shall re-underwrite and re-rate the insured not more  
than thirty (30) days after receiving the notice.

(b) After an insurer re-underwrites or re-rates an insured as  
described in subsection (a), the insurer shall:

(1) make necessary adjustments, consistent with the insurer's  
underwriting and rating guidelines; and

(2) if the insurer determines that the insured has overpaid a  
premium, refund to the insured the amount of overpayment  
calculated back to the shorter of the:

(A) immediately preceding twelve (12) month period of  
coverage; or

(B) actual policy period.

**Sec. 18. (a)** If an insurer uses credit information in underwriting  
or rating a consumer, the insurer or the insurer's agent shall  
disclose, either on the insurance application or when the insurance  
application is taken, that the insurer may obtain credit information  
in connection with the application. The disclosure must be:

(1) written; or

(2) provided to the consumer in the same medium as the  
application for insurance.

The insurer is not required to provide a disclosure statement to an  
insured under this section with respect to a renewal policy if the  
insured has previously been provided a disclosure statement under  
this section with respect to the policy being renewed.

(b) Use of the following sample disclosure statement constitutes  
compliance with this section: "In connection with this application  
for insurance, we may review your credit report or obtain or use  
a credit based insurance score based on the information contained  
in that credit report. We may use a third party in connection with  
the development of your insurance score."

**Sec. 19. (a)** If an insurer takes an adverse action based on credit  
information, the insurer shall:



(1) provide notice to the consumer that an adverse action has been taken, in accordance with the requirements of the federal Fair Credit Reporting Act, 15 U.S.C. 1681m(a); and  
 (2) provide notice to the consumer explaining the reason for the adverse action.

(b) The reason provided under subsection (a)(2) must be provided in sufficiently clear and specific language so that an individual can identify the basis for the insurer's decision to take an adverse action. The notice must include a description of all factors, up to a maximum of four (4) factors, that were the primary influences of the adverse action. The use of generalized terms such as "poor credit history", "poor credit rating", or "poor insurance score" does not meet requirements of this subsection. A standardized credit explanation provided by a consumer reporting agency or other third party vendor meets the requirements of this section.

Sec. 20. (a) An insurer that uses an insurance score to underwrite and rate risks shall file the insurer's scoring models or other scoring processes with the department.

(b) A third party may file a scoring model or scoring process on behalf of an insurer.

(c) A filing that includes insurance scoring may include loss experience justifying the use of credit information.

(d) A filing related to credit information is a trade secret (as defined in IC 24-2-3-2) and is confidential.

Sec. 21. (a) An insurer shall defend, indemnify, and hold an insurance producer harmless from and against liability, fees, and costs arising out of or related to the actions, errors, or omissions of the insurance producer relating to a use of credit information, if the insurance producer:

(1) obtains or uses credit information or insurance scores for the insurer;

(2) follows the instructions of or procedures established by the insurer; and

(3) complies with applicable laws and regulations.

(b) This section does not provide a consumer with a cause of action that does not exist in the absence of this section.

Sec. 22. (a) A consumer reporting agency may not provide or sell data or lists that include information submitted in conjunction with:

(1) an insurance inquiry about a consumer's credit information; or

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(2) a request for a credit report or insurance score;  
including the expiration dates of an insurance policy or other  
information that may identify periods during which a consumer's  
insurance expires and the terms and conditions of the consumer's  
insurance coverage.

(b) The restrictions under subsection (a) do not apply to data or  
lists a consumer reporting agency supplies to an:

(1) insurance producer from whom the information was  
received;

(2) insurer on behalf of which the insurance producer  
described in subdivision (1) acted; or

(3) affiliate or holding company of the insurer described in  
subdivision (2).

(c) This section does not prohibit an insurer from obtaining a  
claim history report or a motor vehicle report.

**Sec. 23. A violation of this chapter by an insurer is an unfair and  
deceptive act and practice in the business of insurance under  
IC 27-4-1-4.**

SECTION 2. IC 27-4-1-4, AS AMENDED BY P.L.130-2002,  
SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
JULY 1, 2003]: Sec. 4. The following are hereby defined as unfair  
methods of competition and unfair and deceptive acts and practices in  
the business of insurance:

(1) Making, issuing, circulating, or causing to be made, issued, or  
circulated, any estimate, illustration, circular, or statement:

(A) misrepresenting the terms of any policy issued or to be  
issued or the benefits or advantages promised thereby or the  
dividends or share of the surplus to be received thereon;

(B) making any false or misleading statement as to the  
dividends or share of surplus previously paid on similar  
policies;

(C) making any misleading representation or any  
misrepresentation as to the financial condition of any insurer,  
or as to the legal reserve system upon which any life insurer  
operates;

(D) using any name or title of any policy or class of policies  
misrepresenting the true nature thereof; or

(E) making any misrepresentation to any policyholder insured  
in any company for the purpose of inducing or tending to  
induce such policyholder to lapse, forfeit, or surrender ~~his~~ **the**  
**policyholder's** insurance.

(2) Making, publishing, disseminating, circulating, or placing



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before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio or television station, or in any other way, an advertisement, announcement, or statement containing any assertion, representation, or statement with respect to any person in the conduct of ~~his~~ **the person's** insurance business, which is untrue, deceptive, or misleading.

(3) Making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of any oral or written statement or any pamphlet, circular, article, or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, and which is calculated to injure any person engaged in the business of insurance.

(4) Entering into any agreement to commit, or individually or by a concerted action committing any act of boycott, coercion, or intimidation resulting or tending to result in unreasonable restraint of, or a monopoly in, the business of insurance.

(5) Filing with any supervisory or other public official, or making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or causing directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive. Making any false entry in any book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to which such insurer is required by law to report, or which has authority by law to examine into its condition or into any of its affairs, or, with like intent, willfully omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report, or statement of such insurer.

(6) Issuing or delivering or permitting agents, officers, or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance.

(7) Making or permitting any of the following:

(A) Unfair discrimination between individuals of the same

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class and equal expectation of life in the rates or assessments charged for any contract of life insurance or of life annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract; however, in determining the class, consideration may be given to the nature of the risk, plan of insurance, the actual or expected expense of conducting the business, or any other relevant factor.

(B) Unfair discrimination between individuals of the same class involving essentially the same hazards in the amount of premium, policy fees, assessments, or rates charged or made for any policy or contract of accident or health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever; however, in determining the class, consideration may be given to the nature of the risk, the plan of insurance, the actual or expected expense of conducting the business, or any other relevant factor.

(C) Excessive or inadequate charges for premiums, policy fees, assessments, or rates, or making or permitting any unfair discrimination between persons of the same class involving essentially the same hazards, in the amount of premiums, policy fees, assessments, or rates charged or made for:

(i) policies or contracts of reinsurance or joint reinsurance, or abstract and title insurance;

(ii) policies or contracts of insurance against loss or damage to aircraft, or against liability arising out of the ownership, maintenance, or use of any aircraft, or of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from inland marine, insurance; or

(iii) policies or contracts of any other kind or kinds of insurance whatsoever.

However, nothing contained in clause (C) shall be construed to apply to any of the kinds of insurance referred to in clauses (A) and (B) nor to reinsurance in relation to such kinds of insurance. Nothing in clause (A), (B), or (C) shall be construed as making or permitting any excessive, inadequate, or unfairly discriminatory charge or rate or any charge or rate determined by the department or commissioner to meet the requirements of any other insurance rate regulatory law of this state.

(8) Except as otherwise expressly provided by law, knowingly

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1 permitting or offering to make or making any contract or policy  
 2 of insurance of any kind or kinds whatsoever, including but not in  
 3 limitation, life annuities, or agreement as to such contract or  
 4 policy other than as plainly expressed in such contract or policy  
 5 issued thereon, or paying or allowing, or giving or offering to pay,  
 6 allow, or give, directly or indirectly, as inducement to such  
 7 insurance, or annuity, any rebate of premiums payable on the  
 8 contract, or any special favor or advantage in the dividends,  
 9 savings, or other benefits thereon, or any valuable consideration  
 10 or inducement whatever not specified in the contract or policy; or  
 11 giving, or selling, or purchasing or offering to give, sell, or  
 12 purchase as inducement to such insurance or annuity or in  
 13 connection therewith, any stocks, bonds, or other securities of any  
 14 insurance company or other corporation, association, limited  
 15 liability company, or partnership, or any dividends, savings, or  
 16 profits accrued thereon, or anything of value whatsoever not  
 17 specified in the contract. Nothing in this subdivision and  
 18 subdivision (7) shall be construed as including within the  
 19 definition of discrimination or rebates any of the following  
 20 practices:

21 (A) Paying bonuses to policyholders or otherwise abating their  
 22 premiums in whole or in part out of surplus accumulated from  
 23 nonparticipating insurance, so long as any such bonuses or  
 24 abatement of premiums are fair and equitable to policyholders  
 25 and for the best interests of the company and its policyholders.

26 (B) In the case of life insurance policies issued on the  
 27 industrial debit plan, making allowance to policyholders who  
 28 have continuously for a specified period made premium  
 29 payments directly to an office of the insurer in an amount  
 30 which fairly represents the saving in collection expense.

31 (C) Readjustment of the rate of premium for a group insurance  
 32 policy based on the loss or expense experience thereunder, at  
 33 the end of the first year or of any subsequent year of insurance  
 34 thereunder, which may be made retroactive only for such  
 35 policy year.

36 (D) Paying by an insurer or agent thereof duly licensed as such  
 37 under the laws of this state of money, commission, or  
 38 brokerage, or giving or allowing by an insurer or such licensed  
 39 agent thereof anything of value, for or on account of the  
 40 solicitation or negotiation of policies or other contracts of any  
 41 kind or kinds, to a broker, agent, or solicitor duly licensed  
 42 under the laws of this state, but such broker, agent, or solicitor

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receiving such consideration shall not pay, give, or allow credit for such consideration as received in whole or in part, directly or indirectly, to the insured by way of rebate.

(9) Requiring, as a condition precedent to loaning money upon the security of a mortgage upon real property, that the owner of the property to whom the money is to be loaned negotiate any policy of insurance covering such real property through a particular insurance agent or broker or brokers. However, this subdivision shall not prevent the exercise by any lender of ~~its or his~~ **the lender's** right to approve or disapprove of the insurance company selected by the borrower to underwrite the insurance.

(10) Entering into any contract, combination in the form of a trust or otherwise, or conspiracy in restraint of commerce in the business of insurance.

(11) Monopolizing or attempting to monopolize or combining or conspiring with any other person or persons to monopolize any part of commerce in the business of insurance. However, participation as a member, director, or officer in the activities of any nonprofit organization of agents or other workers in the insurance business shall not be interpreted, in itself, to constitute a combination in restraint of trade or as combining to create a monopoly as provided in this subdivision and subdivision (10). The enumeration in this chapter of specific unfair methods of competition and unfair or deceptive acts and practices in the business of insurance is not exclusive or restrictive or intended to limit the powers of the commissioner or department or of any court of review under section 8 of this chapter.

(12) Requiring as a condition precedent to the sale of real or personal property under any contract of sale, conditional sales contract, or other similar instrument or upon the security of a chattel mortgage, that the buyer of such property negotiate any policy of insurance covering such property through a particular insurance company, agent, or broker or brokers. However, this subdivision shall not prevent the exercise by any seller of such property or the one making a loan thereon, of his, her, or its right to approve or disapprove of the insurance company selected by the buyer to underwrite the insurance.

(13) Issuing, offering, or participating in a plan to issue or offer, any policy or certificate of insurance of any kind or character as an inducement to the purchase of any property, real, personal, or mixed, or services of any kind, where a charge to the insured is not made for and on account of such policy or certificate of

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insurance. However, this subdivision shall not apply to any of the following:

(A) Insurance issued to credit unions or members of credit unions in connection with the purchase of shares in such credit unions.

(B) Insurance employed as a means of guaranteeing the performance of goods and designed to benefit the purchasers or users of such goods.

(C) Title insurance.

(D) Insurance written in connection with an indebtedness and intended as a means of repaying such indebtedness in the event of the death or disability of the insured.

(E) Insurance provided by or through motorists service clubs or associations.

(F) Insurance that is provided to the purchaser or holder of an air transportation ticket and that:

(i) insures against death or nonfatal injury that occurs during the flight to which the ticket relates;

(ii) insures against personal injury or property damage that occurs during travel to or from the airport in a common carrier immediately before or after the flight;

(iii) insures against baggage loss during the flight to which the ticket relates; or

(iv) insures against a flight cancellation to which the ticket relates.

(14) Refusing, because of the for-profit status of a hospital or medical facility, to make payments otherwise required to be made under a contract or policy of insurance for charges incurred by an insured in such a for-profit hospital or other for-profit medical facility licensed by the state department of health.

(15) Refusing to insure an individual, refusing to continue to issue insurance to an individual, limiting the amount, extent, or kind of coverage available to an individual, or charging an individual a different rate for the same coverage, solely because of that individual's blindness or partial blindness, except where the refusal, limitation, or rate differential is based on sound actuarial principles or is related to actual or reasonably anticipated experience.

(16) Committing or performing, with such frequency as to indicate a general practice, unfair claim settlement practices (as defined in section 4.5 of this chapter).

(17) Between policy renewal dates, unilaterally canceling an

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individual's coverage under an individual or group health insurance policy solely because of the individual's medical or physical condition.

(18) Using a policy form or rider that would permit a cancellation of coverage as described in subdivision (17).

(19) Violating IC 27-1-22-25 or IC 27-1-22-26 concerning motor vehicle insurance rates.

(20) Violating IC 27-8-21-2 concerning advertisements referring to interest rate guarantees.

(21) Violating IC 27-8-24.3 concerning insurance and health plan coverage for victims of abuse.

(22) Violating IC 27-8-26 concerning genetic screening or testing.

(23) Violating IC 27-1-15.6-3(b) concerning licensure of insurance producers.

(24) Violating IC 27-1-38 concerning depository institutions.

**(25) Violating IC 27-2-21 concerning use of credit information.**

SECTION 3. [EFFECTIVE JULY 1, 2003] **Notwithstanding IC 27-2-21, as added by this act, IC 27-2-21, as added by this act, applies to a personal insurance:**

**(1) policy application that is submitted; or**

**(2) policy that is issued, delivered, amended, or renewed: after December 31, 2003.**

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SENATE MOTION

Mr. President: I move that Senator Antich be added as coauthor of Senate Bill 178.

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## COMMITTEE REPORT

Mr. President: The Senate Committee on Insurance and Financial Institutions, to which was referred Senate Bill No. 178, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete lines 4 through 17 and begin a new paragraph and insert:

**"Chapter 21. Use of Credit Information**

**Sec. 1. As used in this chapter, "adverse action" means:**

- (1) a denial or cancellation of;**
- (2) an increase in a charge for; or**
- (3) a reduction or other adverse or unfavorable change in the terms of coverage or amount of;**

**insurance in connection with the underwriting of a personal insurance policy.**

**Sec. 2. As used in this chapter, "affiliate" means a company that controls, is controlled by, or is under common control with another company.**

**Sec. 3. As used in this chapter, "applicant" means an individual who has applied with an insurer for coverage under a personal insurance policy.**

**Sec. 4. As used in this chapter, "commissioner" refers to the insurance commissioner appointed under IC 27-1-1-2.**

**Sec. 5. As used in this chapter, "consumer" means an:**

- (1) insured whose:**
  - (A) credit information is used; or**
  - (B) insurance score is calculated;****in the underwriting or rating of a personal insurance policy;**
- or**
- (2) applicant for a personal insurance policy.**

**Sec. 6. As used in this chapter, "consumer reporting agency" means a person that, for a monetary fee or dues or on a cooperative nonprofit basis, regularly engages in the practice of assembling or evaluating consumer credit information or other information concerning consumers for the purpose of furnishing consumer reports to third parties.**

**Sec. 7. As used in this chapter, "credit information" means credit related information:**

- (1) derived from a credit report;**
- (2) found on a credit report; or**
- (3) provided on an application for a personal insurance policy.**

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The term does not include information that is not credit related, regardless of whether the information is contained in a credit report or in an application or is used to calculate an insurance score.

Sec. 8. As used in this chapter, "credit report" means a written, an oral, or another communication of information by a consumer reporting agency concerning a consumer's creditworthiness, credit standing, or credit capacity that is used or expected to be used or collected as a factor to determine personal insurance policy premiums, eligibility for coverage, or tier placement.

Sec. 9. As used in this chapter, "department" refers to the department of insurance created by IC 27-1-1-1.

Sec. 10. As used in this chapter, "insurance producer" has the meaning set forth in IC 27-1-15.6-2(7).

Sec. 11. As used in this chapter, "insurance score" means a number or rating that is derived from an algorithm, computer application, model, or other process that is based on credit information for the purpose of predicting the future insurance loss exposure of an individual consumer.

Sec. 12. As used in this chapter, "insured" means an individual entitled to coverage under a personal insurance policy.

Sec. 13. As used in this chapter, "insurer" refers to an insurer (as defined in IC 27-1-2-3) that issues a personal insurance policy.

Sec. 14. As used in this chapter, "personal insurance policy" means a policy that:

- (1) provides one (1) or more of the kinds of insurance described in Class 2 or Class 3 of IC 27-1-5-1; and
- (2) is underwritten on an individual basis for personal, family, or household use.

Sec. 15. This chapter does not apply to commercial insurance.

Sec. 16. An insurer that uses credit information to underwrite or rate risks shall not do the following:

- (1) Use an insurance score that is calculated using income, gender, address, ZIP code, ethnic group, religion, marital status, or nationality of the consumer as a factor.
- (2) Deny, cancel, or decline to renew a personal insurance policy solely on the basis of credit information.
- (3) Base an insured's renewal rate for a personal insurance policy solely on credit information.
- (4) Take an adverse action against a consumer solely because the consumer does not have a credit card account.
- (5) Consider an absence of credit information or an inability

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to calculate an insurance score in underwriting or rating a personal insurance policy, unless the insurer does one (1) of the following:

- (A) Presents to the commissioner information that the absence or inability relates to the risk for the insurer and treats the consumer in a way approved by the commissioner.
- (B) Treats the consumer as if the consumer had neutral credit information, as defined by the insurer.
- (6) Take an adverse action against a consumer based on credit information unless the insurer obtains and uses:

- (A) a credit report issued; or
- (B) an insurance score calculated;

not more than ninety (90) days before the date the personal insurance policy is first written or the renewal is issued.

- (7) Use credit information unless the insurer recalculates the insurance score or obtains an updated credit report at least every thirty-six (36) months. However, the following apply:

- (A) At annual renewal, upon the request of an insured or the insured's agent, the insurer shall re-underwrite and re-rate the personal insurance policy based on a current credit report or insurance score unless one (1) of the following applies:

- (i) The insurer's treatment of the consumer is otherwise approved by the commissioner.
- (ii) The insured is in the most favorably priced tier of the insurer, within a group of affiliated insurers.
- (iii) Credit information was not used for underwriting or rating the insured when the personal insurance policy was initially written.
- (iv) The insurer reevaluates the insured at least every thirty-six (36) months after a personal insurance policy is issued based on underwriting or rating factors other than credit information.

This clause does not require an insurer to recalculate an insurance score or obtain an updated credit report of a consumer more frequently than one (1) time in a twelve (12) month period.

- (B) An insurer may obtain current credit information upon the renewal of a personal insurance policy when renewal occurs more frequently than every thirty-six (36) months if consistent with the insurer's underwriting guidelines.

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(8) Use the following as a negative factor in an insurance scoring methodology or in reviewing credit information for the purpose of underwriting or rating a personal insurance policy:

(A) A credit inquiry coded by the consumer reporting agency:

- (i) not initiated by the consumer; or
- (ii) requested by the consumer for the consumer's own credit information.

(B) A credit inquiry coded by the consumer reporting agency relating to insurance coverage on the consumer's credit report.

(C) A collection account with a medical industry code that is coded by the consumer reporting agency on the consumer's credit report.

(D) Multiple lender inquiries:

- (i) coded by the consumer reporting agency on the consumer's credit report as being from the home mortgage industry; and
- (ii) made within thirty (30) days of one another.

(E) Multiple lender inquiries:

- (i) coded by the consumer reporting agency on the consumer's credit report as being from the automobile lending industry; and
- (ii) made within thirty (30) days of one another.

Sec. 17. (a) If:

- (1) a determination is made through the dispute resolution process set forth in the federal Fair Credit Reporting Act, 15 U.S.C. 1681i(a)(5), that the credit information of a current insured was incorrect or incomplete; and
- (2) the insurer receives notice of the determination from the consumer reporting agency or the insured;

the insurer shall re-underwrite and re-rate the insured not more than thirty (30) days after receiving the notice.

(b) After an insurer re-underwrites or re-rates an insured as described in subsection (a), the insurer shall:

- (1) make necessary adjustments, consistent with the insurer's underwriting and rating guidelines; and
- (2) if the insurer determines that the insured has overpaid a premium, refund to the insured the amount of overpayment calculated back to the shorter of the:

(A) immediately preceding twelve (12) month period of

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coverage; or

(B) actual policy period.

**Sec. 18. (a)** If an insurer uses credit information in underwriting or rating a consumer, the insurer or the insurer's agent shall disclose, either on the insurance application or when the insurance application is taken, that the insurer may obtain credit information in connection with the application. The disclosure must be:

(1) written; or

(2) provided to the consumer in the same medium as the application for insurance.

The insurer is not required to provide a disclosure statement to an insured under this section with respect to a renewal policy if the insured has previously been provided a disclosure statement under this section with respect to the policy being renewed.

(b) Use of the following sample disclosure statement constitutes compliance with this section: "In connection with this application for insurance, we may review your credit report or obtain or use a credit based insurance score based on the information contained in that credit report. We may use a third party in connection with the development of your insurance score."

**Sec. 19. (a)** If an insurer takes an adverse action based on credit information, the insurer shall:

(1) provide notice to the consumer that an adverse action has been taken, in accordance with the requirements of the federal Fair Credit Reporting Act, 15 U.S.C. 1681m(a); and

(2) provide notice to the consumer explaining the reason for the adverse action.

(b) The reason provided under subsection (a)(2) must be provided in sufficiently clear and specific language so that an individual can identify the basis for the insurer's decision to take an adverse action. The notice must include a description of all factors, up to a maximum of four (4) factors, that were the primary influences of the adverse action. The use of generalized terms such as "poor credit history", "poor credit rating", or "poor insurance score" does not meet requirements of this subsection. A standardized credit explanation provided by a consumer reporting agency or other third party vendor meets the requirements of this section.

**Sec. 20. (a)** An insurer that uses an insurance score to underwrite and rate risks shall file the insurer's scoring models or other scoring processes with the department.

(b) A third party may file a scoring model or scoring process on

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behalf of an insurer.

(c) A filing that includes insurance scoring may include loss experience justifying the use of credit information.

(d) A filing related to credit information is a trade secret (as defined in IC 24-2-3-2) and is confidential.

**Sec. 21. (a)** An insurer shall defend, indemnify, and hold an insurance producer harmless from and against liability, fees, and costs arising out of or related to the actions, errors, or omissions of the insurance producer relating to a use of credit information, if the insurance producer:

- (1) obtains or uses credit information or insurance scores for the insurer;
- (2) follows the instructions of or procedures established by the insurer; and
- (3) complies with applicable laws and regulations.

(b) This section does not provide a consumer with a cause of action that does not exist in the absence of this section.

**Sec. 22. (a)** A consumer reporting agency may not provide or sell data or lists that include information submitted in conjunction with:

- (1) an insurance inquiry about a consumer's credit information; or
- (2) a request for a credit report or insurance score;

including the expiration dates of an insurance policy or other information that may identify periods during which a consumer's insurance expires and the terms and conditions of the consumer's insurance coverage.

(b) The restrictions under subsection (a) do not apply to data or lists a consumer reporting agency supplies to an:

- (1) insurance producer from whom the information was received;
- (2) insurer on behalf of which the insurance producer described in subdivision (1) acted; or
- (3) affiliate or holding company of the insurer described in subdivision (2).

(c) This section does not prohibit an insurer from obtaining a claim history report or a motor vehicle report.

**Sec. 23.** A violation of this chapter by an insurer is an unfair and deceptive act and practice in the business of insurance under IC 27-4-1-4."

Delete pages 2 through 3.

Page 4, delete lines 1 through 16.

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Page 4, line 38, strike "his" and insert "**the policyholder's**".

Page 5, line 6, strike "his" and insert "**the person's**".

Page 8, line 7, strike "its or his" and insert "**the lender's**".

Page 10, line 14, delete "discrimination in" and insert "**use of credit information.**".

Page 10, delete line 15.

Page 10, after line 15, begin a new paragraph and insert:

"SECTION 3. [EFFECTIVE JULY 1, 2003] **Notwithstanding IC 27-2-21, as added by this act, IC 27-2-21, as added by this act, applies to a personal insurance:**

**(1) policy application that is submitted; or**

**(2) policy that is issued, delivered, amended, or renewed: after December 31, 2003."**

and when so amended that said bill do pass.

(Reference is to SB 178 as introduced.)

PAUL, Chairperson

Committee Vote: Yeas 5, Nays 2.

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